

**CITY OF MAYETTA, KANSAS**

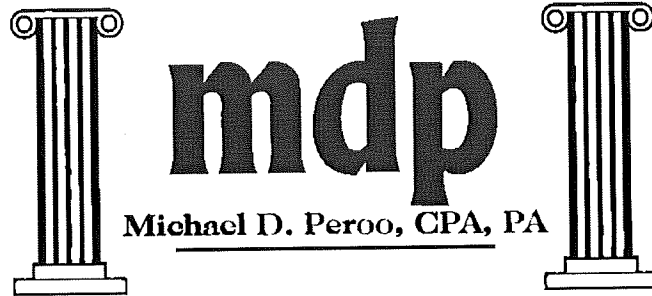
**Financial Statements for the  
Year Ended December 31, 2011  
And Independent Auditors' Report**

# CITY OF MAYETTA, KANSAS

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## **INDEPENDENT AUDITORS' REPORT**

The Honorable Mayor and City Council  
City of Mayetta, Kansas

We have audited the accompanying financial statements of the City of Mayetta, Kansas (City) as of December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except for the following, we conducted our audit in accordance with generally accepted auditing standards of the United States of America and the Kansas Municipal Audit Guide (KMAG). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The City has elected not to adopt the provisions of the Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments; Statement No. 37, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus; Statement No. 38, Certain Financial Statement Note Disclosures; and Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.

The City lacks segregation of duties as the City primarily has one employee performing accounting functions including billing customers, applying receipts to customer balances, bank reconciliation's and financial reporting.

As described more fully in Note 1, the City prepares its financial statements on a basis of accounting prescribed by the Kansas Division of Accounts and Reports to demonstrate compliance with the cash basis laws of the State of Kansas, which basis differs from generally accepted accounting principles.

In our opinion, because of the effects of the matter discussed in the preceding paragraphs, the financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles, the financial position of the City of Mayetta, Kansas, as of December 31, 2011, or the results of its operations for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the City of Mayetta, Kansas, as of December 31, 2011, and its cash receipts and cash disbursements for the year then ended on the basis of accounting described in Note 1.

June 6, 2012

*Michael D. Peroo, CPA, PA*

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Michael D. Peroo, CPA  
In Charge of and Actively  
Engaged on this Audit

# CITY OF MAYETTA, KANSAS

## SUMMARY OF CASH RECEIPTS AND DISBURSEMENTS YEAR ENDED DECEMBER 31, 2011

	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
General Fund	\$ 40,134	\$ 124,594	\$ 93,612	\$ 71,116
Special Revenue Funds:				
Special Highway Fund	2,148	11,358	6,710	6,796
Special Highway Reserve Fund	5,997		2,520	3,477
Enterprise Funds:				
Water Fund	62,539	116,192	120,921	57,810
Sewer Fund	50,694	34,304	54,948	30,050
Trash Fund	16,387	27,089	23,679	19,797
Project Funds:				
Capital Improvement Fund	60,629	8,187	12,234	56,582
Street Construction Fund	71,829	26,761	92,272	6,318
Debt Service Funds:				
G.O. Bond and Interest Fund	985	28,469	24,589	4,865
Sewer Reserve Fund	117,245	3,982		121,227
Water Reserve Fund	107,532	632		108,164
CDBG 2010 Street Project Fund		458,633	458,397	236
Water Revenue Bond Principal & Interest Fund	6,360	19,428	25,788	
Total Reporting Entity	\$ 542,479	\$ 859,629	\$ 915,670	\$ 486,438
Transfers		51,429	51,429	
Net Receipts and Disbursements		\$ 808,200	\$ 864,241	
COMPOSITION OF CASH:				
Holton National Bank - Checking Account				\$ 45,353
Denison State Bank - Sewer				14,944
Denison State Bank - Water Saving Reserve				5,159
Holton National Bank - CDBG Funds				236
Denison State Bank - Certificate of Deposit				160,000
Denison State Bank - Certificate of Deposit - Water				97,913
Denison State Bank - Capital Improvement Fund				56,550
Denison State Bank - Certificate of Deposit - Sewer				106,283
				\$ 486,438

**CITY OF MAYETTA, KANSAS**

**SUMMARY OF CASH DISBURSEMENTS - ACTUAL AND BUDGET  
YEAR ENDED DECEMBER 31, 2011**

	<u>Cash Disbursements</u>	<u>Budget</u>	<u>Variance Favorable (Unfavorable)</u>
General Fund	\$ 93,612	\$ 155,085	\$ 61,473
Special Revenue Funds:			
Special Highway Fund	6,710	13,900	7,190
Special Highway Reserve	2,520		(2,520)
Enterprise Funds:			
Water Fund	120,921	181,031	60,110
Sewer Fund	54,948	75,118	20,170
Trash Fund	23,679	41,000	17,321
Debt Service Funds:			
G.O. Bond and Interest Fund	24,589	33,252	8,663
Water Escrow Fund			
Sewer Reserve Fund			
Water Revenue Bond Principal & Interest Fund	<u>25,788</u>	<u>25,788</u>	<u>1</u>
Total Budget Funds	352,767	<u>\$ 525,174</u>	<u>\$ 172,408</u>
Non Budgeted Funds:			
Capital Improvement Fund	12,234		
CDBG 2010 Street Project	458,397		
Street Bond Fund	<u>92,272</u>		
Total Reporting Entity	<u>\$ 915,670</u>		

CITY OF MAYETTA, KANSAS

GENERAL FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET  
YEAR ENDED DECEMBER 31, 2011

	2010 Actual	2011 Actual	2011 Budget	Variance Favorable (Unfavorable)	
<b>CASH RECEIPTS:</b>					
State Retail Sales Tax	\$ 19,292	\$ 26,604	\$ 20,250	\$ 6,354	
County Property and Motor Vehicle Taxes	58,105	60,123	61,402	(1,279)	
Franchise Tax	13,511	14,003	12,230	1,773	
Miscellaneous	2,226	2,835	350	2,485	
License Permits and Fees	628	556	825	(269)	
Fees From Fines	70	185	350	(165)	
Transfer		10,000	10,000		
Antenna Rent	200	700	1,200	(500)	
Reimbursements	16,455	9,588	8,905	683	
Total Cash Receipts	110,487	124,594	\$ 115,512	\$ 9,082	
<b>CASH DISBURSEMENTS:</b>					
General Administration:					
Personnel Costs	19,309	22,842	\$ 26,400	\$ 3,558	
Contracted Services	33,015	16,499	53,000	36,501	
Street Lights	8,561	8,774	8,856	82	
Commodities	4,170	8,933	9,000	67	
Legal Fees	1,741	5,913	6,000	87	
Capital outlay			20,472	20,472	
Transfer to Capital Improvement Fund					
Continuing Education		1,091	400		
Transfer to Law Enforcement Fund					
Park Supplies and Equipment			1,500		
Payroll taxes	12,885	14,176	14,092	(84)	
Grant Expense	39,997				
Miscellaneous	315	410	581	171	
Public Safety:					
Police Salaries					
Commodities		2,146	4,700	2,554	
Judge & Clerk Fees	600	540	660	120	
Law Enforcement Training Fund		21	122	102	
Equipment and Jail Fees		5,600	2,650	(2,950)	
Zoning Planning Commission			700	700	
Insurance:					
Liability	449	449	450	1	
Property	1,674	1,625	1,700	75	
Worker's Compensation	902	1,102	902	(200)	
Vehicle	1,252	1,001	1,250	249	
Surety Bonds	200	400	200	(200)	
Linebackers	1,308	2,090	1,450	(640)	
Total Cash Disbursements	126,378	93,612	\$ 155,085	\$ 61,473	60,665
Receipts (under) over Disbursements	(15,891)	30,982			
<b>CASH, BEGINNING BALANCE</b>	56,025	40,134			
<b>CASH, ENDING BALANCE</b>	\$ 40,134	\$ 71,116			

**CITY OF MAYETTA, KANSAS**

**SPECIAL HIGHWAY FUND**

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET  
YEAR ENDED DECEMBER 31, 2011**

	<u>2010 Actual</u>	<u>2011 Actual</u>	<u>2011 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<b>CASH RECEIPTS:</b>				
Interest on Idle Funds	\$ 2,865	\$ 2,277	\$ 1,600	\$ 677
State of Kansas Gas Tax	<u>9,482</u>	<u>9,081</u>	<u>9,760</u>	<u>(679)</u>
Total Cash Receipts	12,347	11,358	<u>\$ 11,360</u>	<u>\$ (2)</u>
<b>CASH DISBURSEMENTS:</b>				
Contracted Services	13,800	5,385	9,400	4,015
Commodities	<u>3,154</u>	<u>1,325</u>	<u>4,500</u>	<u>3,175</u>
Total Cash Disbursements	<u>16,954</u>	<u>6,710</u>	<u>\$ 13,900</u>	<u>\$ 7,190</u>
Receipts under (over) Disbursements	(4,607)	4,648		
<b>CASH, BEGINNING BALANCE</b>	<u>6,755</u>	<u>2,148</u>		
<b>CASH, ENDING BALANCE</b>	<u>\$ 2,148</u>	<u>\$ 6,796</u>		



# CITY OF MAYETTA, KANSAS

## SPECIAL HIGHWAY RESERVE FUND

### STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEAR ENDED DECEMBER 31, 2011

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	<b>2010</b> <b>Actual</b>	<b>2011</b> <b>Actual</b>
	<hr/>	<hr/>
<b>CASH RECEIPTS:</b>		
Interest on Idle Funds	\$ <hr/>	\$ <hr/>
Total Cash Receipts		
<b>CASH DISBURSEMENTS:</b>		
Maintenance and Repairs	3,000	780
Snow Removal		1,740
Street Repair & Supplies	<hr/> 8,559	<hr/>
Total Cash Disbursements	<hr/> 11,559	<hr/> 2,520
Receipts under Disbursements	(11,559)	(2,520)
<b>CASH, BEGINNING BALANCE</b>	<hr/> 17,556	<hr/> 5,997
<b>CASH, ENDING BALANCE</b>	\$ <hr/> <hr/> 5,997	\$ <hr/> <hr/> 3,477

**CITY OF MAYETTA, KANSAS**

**WATER FUND**

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET  
YEAR ENDED DECEMBER 31, 2011**

	<b>2010 Actual</b>	<b>2011 Actual</b>	<b>2011 Budget</b>	<b>Variance Favorable (Unfavorable)</b>
<b>CASH RECEIPTS:</b>				
Water Sales	\$ 98,534	\$ 105,908	\$ 105,288	\$ 620
Deposits	3,150	4,500	5,400	(900)
New Meter Installations			750	(750)
Penalties and Fees	3,351	4,904	4,950	(46)
Miscellaneous	422	470		470
Sales Tax Collected	352	410	400	10
Transfer from Water Escrow Fund			350	(350)
Total Cash Receipts	105,809	116,192	\$ 117,138	\$ (946)
<b>CASH DISBURSEMENTS:</b>				
Water Purchased	47,895	48,712	\$ 48,540	\$ (172)
Debt Fee			1,752	
Deposit Refunds	1,917	1,941	3,500	1,559
Personnel Services	13,857	13,879	14,271	392
Contracted Services	11,336	11,252	16,850	5,598
Commodities	2,576	4,664	6,900	2,236
Miscellaneous	295	147		(147)
Capital Outlay		19,831	63,500	43,669
Legal fees	122		5,120	5,120
Water Protection Fee	497	607	820	214
Sales Tax Paid	270	460	350	(110)
Transfer To Rev Bond Principal and Interest Fund	16,370	19,428	19,428	
Total Cash Disbursements	95,135	120,921	\$ 181,031	\$ 58,359
Receipts over (under) Disbursements	10,674	(4,729)		
<b>CASH, BEGINNING BALANCE</b>	51,865	62,539		
<b>CASH, ENDING BALANCE</b>	\$ 62,539	\$ 57,811		

**CITY OF MAYETTA, KANSAS**

**SEWER FUND**

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET  
YEAR ENDED DECEMBER 31, 2011**

	<u>2010 Actual</u>	<u>2011 Actual</u>	<u>2011 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<b>CASH RECEIPTS:</b>				
Sewer Charges	\$ 33,606	\$ 34,304	\$ 34,500	\$ (196)
Hook up fee			750	(750)
Total Cash Receipts	33,606	34,304	<u>\$ 35,250</u>	<u>\$ (946)</u>
<b>CASH DISBURSEMENTS:</b>				
Commodities	247	54	\$ 3,900	\$ 3,846
Personnel services	12,401	12,029	12,683	654
Contractual	7,147	10,865	9,850	(1,015)
Legal fees			1,500	1,500
Transfer to GO Bond	18,000	32,000	9,000	(23,000)
Transfer to Sewer Reserve			3,000	
Transfer to Capital Improvement			5,000	
Transfer to General			10,000	10,000
Capital Projects			2,000	
Capital Outlay			18,000	18,000
Miscellaneous			185	185
Total Cash Disbursements	<u>37,795</u>	<u>54,948</u>	<u>\$ 75,118</u>	<u>\$ 10,170</u>
Receipts under Disbursements	(4,189)	(20,644)		
<b>CASH, BEGINNING BALANCE</b>	<u>54,883</u>	<u>50,694</u>		
<b>CASH, ENDING BALANCE</b>	<u>\$ 50,694</u>	<u>\$ 30,050</u>		

**CITY OF MAYETTA, KANSAS**

**TRASH FUND**

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET  
YEAR ENDED DECEMBER 31, 2011**

	<u>2010 Actual</u>	<u>2011 Actual</u>	<u>2011 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<b>CASH RECEIPTS:</b>				
Trash Service Fees	\$ <u>27,282</u>	\$ <u>27,089</u>	\$ <u>27,452</u>	\$ <u>(363)</u>
Total Cash Receipts	<u>27,282</u>	<u>27,089</u>	\$ <u><u>27,452</u></u>	\$ <u><u>(363)</u></u>
<b>CASH DISBURSEMENTS:</b>				
Contracted Service	22,503	23,529	\$ 26,500	\$ 2,971
Capital Outlay			14,000	
Spring Clean Up Day	464		500	500
Miscellaneous	<u>50</u>	<u>150</u>		<u>(150)</u>
Total Cash Disbursements	<u>23,017</u>	<u>23,679</u>	\$ <u><u>41,000</u></u>	\$ <u><u>3,321</u></u>
Receipts over Disbursements	4,265	3,410		
<b>CASH, BEGINNING BALANCE</b>	<u>12,122</u>	<u>16,387</u>		
<b>CASH, ENDING BALANCE</b>	\$ <u><u>16,387</u></u>	\$ <u><u>19,798</u></u>		

# CITY OF MAYETTA, KANSAS

## CAPITAL IMPROVEMENT FUND

### STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEAR ENDED DECEMBER 31, 2011

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	<b>2010</b> <b>Actual</b>	<b>2011</b> <b>Actual</b>
	<hr/>	<hr/>
<b>CASH RECEIPTS:</b>		
Reimbursed Grant	\$ 1,697	\$
Transfer from Sewer Fund	5,000	
County Special Sales Tax	7,515	7,367
Interest	672	820
	<hr/>	<hr/>
Total Cash Receipts	14,884	8,187
 <b>CASH DISBURSEMENTS:</b>		
Capital Outlay	39,917	
Sewer Bond Principal		10,714
Sewer Bond Interest		1,520
	<hr/>	<hr/>
Total Cash Disbursements	39,917	12,234
	<hr/>	<hr/>
Receipts under Disbursements	(25,033)	(4,047)
 <b>CASH, BEGINNING BALANCE</b>	<hr/> 85,662	<hr/> 60,629
 <b>CASH, ENDING BALANCE</b>	\$ <hr/> <hr/> 60,629	\$ <hr/> <hr/> 56,582

# CITY OF MAYETTA, KANSAS

## STREET BOND PROJECT

### STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEARS ENDED DECEMBER 31, 2011

	<b>2010 Actual</b>	<b>2011 Actual</b>
<b>CASH RECEIPTS:</b>		
Reimbursed Expenses	\$ 75,000	\$ 26,761
Total Cash Receipts	75,000	26,761
<b>CASH DISBURSEMENTS:</b>		
Engineering Fees	\$	\$ 40,844
Administration Fees	3,171	15,341
Contractor		35,378
Other Expenses		709
Total Cash Disbursements	3,171	92,272
Receipts over (under) Disbursements	71,829	(65,511)
<b>CASH, BEGINNING BALANCE</b>		71,829
<b>CASH, ENDING BALANCE</b>	\$ 71,829	\$ 6,318

**CITY OF MAYETTA, KANSAS**

**G.O.BOND PRINCIPAL AND INTEREST FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET  
YEAR ENDED DECEMBER 31, 2011**

	<u>2010 Actual</u>	<u>2011 Actual</u>	<u>2011 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<b>CASH RECEIPTS:</b>				
Transfer from Sewer Fund	\$ 10,000	\$ 19,000	\$ 9,000	\$ (10,000)
Special Assessments	2,507	2,123	2,517	(394)
County Taxes	<u>7,343</u>	<u>7,346</u>	<u>5,947</u>	<u>1,399</u>
Total Cash Receipts	19,850	28,469	<u>\$ 17,464</u>	<u>\$ (8,995)</u>
<b>CASH DISBURSEMENTS:</b>				
Interest Payment	3,513	4,245	\$ 2,895	\$ (1,350)
Principal Payment	14,682	4,960	4,960	(0)
KDHE Principal Payment		11,926	11,926	
KDHE Interest Payment		3,180	3,180	
Commission and fees	5,267	278	291	13
Cash Basis Reserve	<u></u>	<u></u>	<u>10,000</u>	<u>10,000</u>
Total Cash Disbursements	<u>23,462</u>	<u>24,589</u>	<u>\$ 33,252</u>	<u>\$ 8,663</u>
Receipts (under) over Disbursements	(3,612)	3,880		
<b>CASH, BEGINNING BALANCE</b>	<u>4,597</u>	<u>985</u>		
<b>CASH, ENDING BALANCE</b>	<u>\$ 985</u>	<u>\$ 4,865</u>		

**CITY OF MAYETTA, KANSAS**

**SEWER RESERVE FUND**

**STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET**

**YEAR ENDED DECEMBER 31, 2011**

	<u>2010 Actual</u>	<u>2011 Actual</u>	<u>2011 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<b>CASH RECEIPTS:</b>				
Interest on Idle Funds	\$ 3,233	\$ 982	\$ 975	\$ 7
Transfer from Sewer Fund	<u>3,000</u>	<u>3,000</u>		<u>3,000</u>
Total Cash Receipts	6,233	3,982	<u>\$ 975</u>	<u>\$ 3,007</u>
<b>CASH DISBURSEMENTS:</b>				
				\$
Total Cash Disbursements			<u>\$</u>	<u>\$</u>
Receipts over Disbursements	6,233	3,982		
<b>CASH, BEGINNING BALANCE</b>	<u>111,012</u>	<u>117,245</u>		
<b>CASH, ENDING BALANCE</b>	<u>\$ 117,245</u>	<u>\$ 121,227</u>		



## CITY OF MAYETTA, KANSAS

### ARRA STORM DRAINAGE PROJECT

#### STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEAR ENDED DECEMBER 31, 2011

	<b>2010 Actual</b>	<b>2011 Actual</b>
<b>CASH RECEIPTS:</b>		
Grants Received	\$ 343,408	\$
City of Mayetta	12,028	
Other Income	7,142	
Total Cash Receipts	362,578	
<b>CASH DISBURSEMENTS:</b>		
Engineering Fees	\$ 8,451	\$
Administration Fees	18,598	
Contractor	327,587	
Other Expenses	8,053	
Total Cash Disbursements	362,689	
Receipts over Disbursements	(111)	
<b>CASH, BEGINNING BALANCE</b>	111	
<b>CASH, ENDING BALANCE</b>	\$	\$

## CITY OF MAYETTA, KANSAS

### WATER RESERVE FUND

#### STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEAR ENDED DECEMBER 31, 2011

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	<b>2010</b> <b>Actual</b>	<b>2011</b> <b>Actual</b>
	<hr/>	<hr/>
<b>CASH RECEIPTS:</b>		
Interest on Idle Funds	\$ <u>1,007</u>	\$ <u>632</u>
Total Cash Receipts	1,007	632
<b>CASH DISBURSEMENTS:</b>		
Total Cash Disbursements	<hr/>	<hr/>
Receipts over Disbursements	1,007	632
<b>CASH, BEGINNING BALANCE</b>	<u>106,525</u>	<u>107,532</u>
<b>CASH, ENDING BALANCE</b>	\$ <u><u>107,532</u></u>	\$ <u><u>108,165</u></u>

# CITY OF MAYETTA, KANSAS

## CDBG 2010 STREET PROJECT

### STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL YEAR ENDED DECEMBER 31, 2011

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	<u>2011 Actual</u>
<b>CASH RECEIPTS:</b>	
CDBG Proceeds	\$ <u>458,633</u>
Total Cash Receipts	458,633
<b>CASH DISBURSEMENTS:</b>	
Administrative Fees	25,809
Contractual Services	405,827
Reimbursed Expenses	<u>26,761</u>
Total Cash Disbursements	<u>458,397</u>
Receipts over Disbursements	236
<b>CASH, BEGINNING BALANCE</b>	<u>          </u>
<b>CASH, ENDING BALANCE</b>	\$ <u><u>236</u></u>

**CITY OF MAYETTA, KANSAS**

**WATER REVENUE BOND PRINCIPAL AND INTEREST FUND  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS - ACTUAL AND BUDGET  
YEAR ENDED DECEMBER 31, 2011**

		<u>2010 Actual</u>	<u>2011 Actual</u>	<u>2011 Budget</u>	<u>Variance Favorable (Unfavorable)</u>
<b>CASH RECEIPTS:</b>					
Transfer from Water Fund	\$	<u>16,262</u>	\$ <u>19,428</u>	\$ <u>19,428</u>	\$ _____
Total Cash Receipts		16,262	19,428	\$ <u>19,428</u>	\$ _____
<b>CASH DISBURSEMENTS:</b>					
Principal Payment		15,000	25,000	\$ 25,000	\$ _____
Interest Payment		1,260	788	788	
Bond Fees		<u>1</u>	_____	_____	_____
Total Cash Disbursements		<u>16,261</u>	<u>25,788</u>	\$ <u>25,788</u>	\$ _____
Receipts (under) over Disbursements		1	(6,360)		
<b>CASH, BEGINNING BALANCE</b>		<u>6,359</u>	<u>6,360</u>		
<b>CASH, ENDING BALANCE</b>	\$	<u>6,360</u>	\$ _____		

# CITY OF MAYETTA, KANSAS

## NOTES TO FINANCIAL STATEMENTS YEAR ENDED DECEMBER 31, 2011

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### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- a. Basis of Presentation - Fund Accounting - The accounts of the City of Mayetta, Kansas are organized on the basis of funds, each of which is considered a separate accounting entity.

The following types of funds comprise the financial activities of the City for 2011.

Governmental funds:

General fund - to account for all unrestricted resources except those required to be accounted for in other funds or account groups.

Special revenue funds - to account for the proceeds of specific revenue sources or to finance specified activities as required by law or administrative regulation.

Capital project funds - to account for major capital expenditures not financed by other funds.

Debt service funds - to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt, and financing of special assessments which are general obligations of the City.

Proprietary funds:

Enterprise funds - To account for operations that are financed and operated in a manner similar to business enterprises - where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges - or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability or other purposes.

- b. Basis of Accounting - These financial statements are presented on a basis of accounting, which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract.

The municipality has obtained a GAAP waiver from the State of Kansas, which thereby requires this type of special reporting.

- c. Departure from Generally Accepted Accounting Principles - The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are

not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance, encumbrances outstanding at year-end did not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General fixed assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

- d. Budgetary Information - Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), debt service funds and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1.
2. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication, the hearing may be held and the governing body may amend the budget at that time. There were no such budget amendments for the year ended December 31, 2011

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital project funds.

Spending in funds, which are not subject to the legal annual operating budget requirement, is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

## 2. DEPOSITS

At year-end, the carrying amount of the City's deposits was \$486,435 and the bank balance was \$496,657. The difference between the carrying amount and the balance is outstanding checks and deposits in transit. The bank balance is covered by FDIC insurance and collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the City's name and insurance.

## 3. TAXES

**Property Taxes** – The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser annually determines assessed valuations and the County Clerk spreads the annual assessment on the tax rolls. The County Treasurer is the tax collection agent for all taxing entities within the county.

In accordance with state statutes, property taxes levied during the current year are a revenue source to be used to finance the budget of the following year. Taxes are assessed on a calendar year basis and become a lien on the property on November 1 of each year. One-half of the property taxes is due December 20, prior to the fiscal year for which they are budgeted, and the second half is due the following May 10.

**Motor Vehicle Taxes** – Since 1981 most motor vehicles became subject to a special tax paid at the time of registration instead of the traditional property tax. In 1995, the legislature enacted a five-year phase down in the assessment rate on motor vehicles for 30% to 20% of market value.

In 2011, the City received the following from county and state taxes:

	General Fund	Special Highway Fund	GO Bond and Interest Fund
Property Taxes	\$ 50,495	\$	\$ 6,346
Alcohol	1,060		
Motor Vehicle Taxes	9,628		1,000
Sales and Use Taxes	26,604		
Special Assessments			2,123
State Highway Aid		9,081	
	<u>\$ 87,788</u>	<u>\$ 9,081</u>	<u>\$ 9,469</u>

The assessed valuation in 2011 was \$1,1162,943, which was used to determine the mill levy for 2011. The mill levy was 51.385 for 2011.

## 4. UTILITIES

The City provides water, sewer, and solid waste services. The City reads the meters at the end of each month and mails their utility bills on the 1st day of each month for the previous month's service. The utility bills are due the third Wednesday of the each month. Payments received after this date, are subjected to a late charge of 10.0% on the unpaid bill. If bills are not paid by the fourth Wednesday of the month, the customer is disconnected.

The City requires that, at the time of making application for utility service, the property owner or customer shall make a cash deposit in the amount of \$75, set by the governing body to secure payment of accrued bills or bills due on discontinuance of service.

The amount due to the City for utility services as of December 31, 2011 was \$15,288, of which \$12,198 is related to the December billings (due January 10, 2012). The amount due to customers for utility deposits as of December 31, 2011 was \$8,075.

Utility Rates as of December 31, 2011 are as follows:

***Water Rates:***

Minimum charge	\$30.00 includes 2,000 gallons
Next 1,000 gallons	\$9.00 per 1,000 gallons, inside the City limits
	\$11.00 per 1,000 gallons, outside the City limits

***Sewer Rates:***

Minimum charge	\$13.50 includes no gallons, for residential
Minimum charge	\$22.00 includes no gallons, for commercial
Rate per 1,000	\$1.00 per 1,000 gallons

***Solid Waste:***

Monthly charge	\$15.00
Monthly charge	\$6.50 if 65 and older

## 5. LONG-TERM DEBT

In 2003, the City issued Water Utility System Refunding Revenue Bonds, Series 2003, in the amount of \$130,000 (\$0 outstanding at December 31, 2011) for the purpose of refinancing the Water Utility System Revenue Bonds, Series 1992.

In 2003, the City issued General Obligation Bonds, Series 2003, in the amount of \$99,205 (\$59,523) outstanding at December 31, 2011) for the purpose of providing funds to permanently finance the construction of improvements to the sidewalks and curbs.

In 2010, the City issued General Obligation Improvement Bonds, Series 2010, in the amount of \$75,000 (\$65,286 outstanding December 31, 2011) for the purpose of providing permanently finance the street improvements.

In February 1999, the City entered into a 20-year loan agreement with Kansas Department of Health and Environment for the construction of a third lagoon cell and modification of piping, transfer and discharge structures.

The amount of the loan is up to \$233,000 (\$102,207 outstanding at December 31, 2011) bearing interest at a rate of 3.11%; principal and interest payments are made on a semi-annual basis beginning one year after the completion of the project in the amount of \$7,692.

The following represents activity of long-term debt:



	Revolving Loan Program	Water Utility Refunding Bonds	General Obligatio n Bonds	General Obligation Improvement Bonds
Outstanding January 1, 2011	\$ 114,133	\$ 25,000	\$ 64,483	\$ 75,000
Advances				
Retired	<u>11,926</u>	<u>25,000</u>	<u>4,960</u>	<u>10,714</u>
Outstanding December 31, 2011	\$ <u>102,207</u>	\$ <u>          </u>	\$ <u>59,523</u>	\$ <u>64,286</u>

#### Kansas Water Pollution Control Revolving Fund

The amount of the loan is up to \$233,000 (\$102,207 outstanding at December 31, 2011) bearing interest at a rate of 3.11%. Principal and interest payments of \$7,692 are made on a semi-annual basis beginning September 1, 1999 through 2019.

#### Water Utility System Refunding Revenue Bonds

Water utility system refunding revenue bonds are serial bonds to be retired through the year 2011. Principal payments ranging from \$15,000 to \$25,000 will be paid annually beginning on November 1, 2004, and semi-annual interest will be payable on May 1 and November 1, beginning on May 1, 2004.

	Interest Rates	Bonds Outstanding
Water Utility System Refunding Revenue Bonds, \$130,000, Series 2003, issued September 11, 2003	3.15%	<u>\$ 0</u>

#### General Obligation Bonds

General obligation bonds are serial bonds to be retired through the year 2023. Principal payments of \$4,960 will be paid annually beginning on October 1, 2004, and annual interest will be payable on October 1, 2004.

	Interest Rates	Bonds Outstanding
General Obligation Bonds, \$99,205, Series 2003, issued October 15, 2003	4.49%	<u>\$ 59,523</u>

General obligation bonds are serial bonds to be retire in 2017. Principal payments of \$ 10,714 will be annually beginning December 1, 2010 and the bi-annual interest payable on June 1 and December 1.

	<u>Interest Rates</u>	<u>Bonds Outstanding</u>
General Obligation Improvement Bonds	4.05%	<u>\$ 68,286</u>
\$75,000, Series 2010, issued June 1, 2010		

Principal payments of long-term debt are as follows:

	<u>Revolving Loan Fund</u>	<u>General Obligation Bonds</u>	<u>General Obligation Improvement Bond</u>	<u>Totals</u>
2012	\$ 12,300	\$ 4,960	\$ 10,714	\$ 27,974
2013	12,686	4,960	10,714	28,360
2014	13,083	4,960	10,714	28,757
2015	13,494	4,960	10,714	29,168
2016	13,916	4,960	10,714	29,590
2017	14,353	4,960	10,716	30,029
2018	14,802	4,960		19,762
2019	7,573	4,961		12,534
2020		4,961		4,961
2021		4,961		4,961
2022		4,961		4,961
2023		4,959		4,959
	<u>\$ 102,207</u>	<u>\$ 59,523</u>	<u>\$ 64,286</u>	<u>\$ 226,016</u>

Interest payments on long-term debt are as follows:

	Revolving Loan Fund	General Obligation Bonds	General Obligation Improvement Bonds	Totals
2012	\$ 3,084	\$ 2,673	\$ 2,604	\$ 8,361
2013	2,698	2,450	2,170	7,318
2014	2,301	2,227	1,736	6,264
2015	1,891	2,004	1,302	5,197
2016	1,468	1,782	868	4,118
2017	1,332	1,559	434	3,325
2018	582	1,336		1,918
2019	118	1,114		1,232
2020		891		891
2021		668		668
2022		445		445
2023		223		223
	<u>\$ 13,474</u>	<u>\$ 17,372</u>	<u>\$ 9,113</u>	<u>\$ 39,959</u>

#### 6. COMPLIANCE WITH BOND RESERVE REQUIREMENTS

In accordance with the water utility system refunding revenue bonds, the City has established a principal and interest account to pay the principal and interest that will become due on the bonds on the next succeeding maturity date. The fund designated for this purpose had a balance of \$10,954 at December 31, 2011. The required balance is \$8,197.

In addition, the City is required to maintain debt service coverage ratio of 1.10. The debt service coverage ratio on the Water Fund was (.55) at December 31, 2011.

Receipts under disbursements	\$ (4,733)
Add Back:	
Transfers	19,428
Less:	
Deposits	<u>(4,500)</u>
Available for debt service	\$ 10,195
Debt Service	<u>\$ 28,469</u>
Debt Service Coverage Ratio	<u>0.36</u>

The City will carry and maintain reasonable amounts of insurance including general liability insurance with a minimum coverage of \$500,000 per occurrence. The City has a general liability policy for \$500,000. See Schedule of Insurance.

The City is required to maintain its books in accordance with Generally Accepted Accounting Principles (GAAP). The City maintains its books on a basis of accounting, which demonstrates compliance with the cash basis and budget laws of Kansas.

#### 7. PENSION PLAN

The City's full-time employees participate in the Kansas Public Employees Retirement System (System), a multiple employer public employee retirement system. The payroll for employees covered by the System for 2011 was \$30,091, and the City's total payroll for 2011 was \$48,336.

Covered employees are required by state statute to contribute 4% of their salary to the System. The City is required by statute to contribute 6.74% using the full funding method, which funds current costs each year and past service liability over a 40-year period. The contribution requirement for the year ended December 31, 2011 was \$3,532 which consisted of \$1,203 from employees and \$2,329 from the City.

## 8. INTERFUND TRANSFERS

	Transfer In	Transfer Out
Water Fund	\$ 1	\$ 19,428
Water Bond Principal & Interest	19,428	1
GO Bond Principal & Interest	19,000	
Sewer Fund		32,000
Sewer Reserve	3,000	
General	<u>10,000</u>	<u></u>
	\$ <u>51,429</u>	\$ <u>51,429</u>

## 9. COMPLIANCE WITH KANSAS LAW

References made herein to the statutes are not intended as interpretations of law, but are offered for consideration of the Director of Accounts and Reports and interpretation by the County Attorney and legal representatives of the City. There were no apparent statutory violations during the year ended December 2011.

## 10. WATER PURCHASE CONTRACT

On July 1, 1974, the City entered into a 40-year agreement to purchase water from Rural Water District No. 3 of Jackson County, Kansas (RWD). RWD agrees to sell the City water, not to exceed 1,296,000 gallons per month, at a rate of \$4.00 per 1,000 gallons and a minimum rate of \$146 per month. The City purchased 8,232,200 gallons in 2011. The RWD increased their rate to \$5.67 per 1,000 gallons.

## 11. WASTE MANAGEMENT CONTRACT

In June 2009, the City entered into a five-year contract with Waste Management of Kansas for the collection of solid waste. The contract with Waste Management was update to reflect the increases from the landfill. The increase was effective in December 2009. The fees are as follows:

	Rate Per Month	Senior Citizen Rate
1st Year	\$ 12.25	\$ 6.50
2nd Year	\$ 13.08	\$ 6.50
3rd Year	\$ 13.08	\$ 6.50
4th Year	\$ 13.08	\$ 6.50
5th Year	\$ 13.08	\$ 6.50

## 12. CAPITAL PROJECTS

The City's capital project in 2011 a street project consisted of building rebuilding the street system. The total cost of the project is \$458,633 and is contracted with Hermann Excavating, Inc.. The city applied for and received al grant through CDBG the in the amount of \$458,633. Costs incurred to date on the project is \$458,633 at December 31, 2011.

## 13. COMPENSATED ABSENCES

The City vacation and sick policies are as follows:

### ***Vacation Leave:***

Years of Service	Hours Earned Per Month of Service
0-5	6.67
6-10	8
>10	10

The above is based on employees working 35-40 hours per week. Part-time employees who work at least 20 hours or more per week shall earn vaction credit at the rate of 4 hours per month.

### ***Sick Leave:***

0-5	6.67
6-10	8

The maximum accumulated sick leave shall not exceed 160 hours.

## 14. INFRASTRUCTURE

The City has elected not to comply with Government Accounting Standards Board 34 (GASB 34), which requires Cities to account for their infrastructure.

## 15. CONCENTRATIONS

The City is engaged in the sale of water, trash and sewer services to customers located in the City. The City grants credit to those customers and requires no collateral. The City has one customer that accounted for 5.6% of the gallons sold.

## 16. RISK MANAGEMENT

The City has various risks including general liabilities, employees injured while working, automobile, etc. The City insures these risks through various insurance policies. See Schedule of Insurance for details.

\* \* \* \* \*

## CITY OF MAYETTA, KANSAS

### INSURANCE IN FORCE YEAR ENDED DECEMBER 31, 2011

Policy Type	Expiration Date	Company	Annual Premium	Amount of Coverage	Description
General Liability	4/1/2012	Employers Mutual Casualty Company (EMCC)	\$449	1,000,000	Aggregate limit 100,000 Property damage limit 500,000 Personal injury limit 500,000 Advertising injury limit 5,000 Medical expense
Commercial Property	4/1/2012	EMCC	\$1,726	305,093	Building and personal property
Linebacker Coverage	4/1/2012	EMCC	\$1,340	500,000 1,000,000	Each loss Aggregate
Workers' Compensation	4/1/2012	EMCC	\$1,102	500,000 500,000 500,000	Bodily injury by accident Bodily injury by each employee Bodily injury by policy limit
Business Auto	4/1/2012	EMCC	\$506	500,000 500,000 500,000	Liability Uninsured motorists Underinsured motorists
Law Enforcement	4/1/2012	EMMC	\$750		

## **CITY OF MAYETTA, KANSAS**

### **SCHEDULE OF STATISTICS YEAR ENDED DECEMBER 31, 2011**

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#### **WATER**

Number of Customers	205
Gallons of water sold	7,825,200
Gallons of water purchased	8,307,900
Water loss %	5.81%
Average gallons sold per customer per month	3,181
Water sale per customer per month	\$43
Operating expenses per customer per month (excludes transfers)	\$41
Water sales per 1,000 gallons	\$14
Operating expenses per 1,000 gallons, (excluding transfers)	\$13

#### **OTHER**

Population	359
Valuation	\$1,162,943
Mill Levy	51.385
Taxes Levied	\$59,759
Outstanding Debt	\$235,140
Debt per capita	\$655